SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57038; File No. SR-Phlx-2007-93)

December 21, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change Relating to $5 Strike Price Intervals of
Options on Exchange-Traded Fund Shares above $200

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule

19b-4 thereunder,[2] notice is hereby given that on December 19, 2007, the Philadelphia Stock

Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission

("Commission") the proposed rule change as described in Items I and II below, which Items have

been substantially prepared by the Phlx.  The Exchange filed the proposal as a "non-controversial"

proposed rule change pursuant to Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(6) thereunder,[4]

which rendered the proposal effective upon filing with the Commission.  The Commission is

publishing this notice to solicit comments on the proposed rule change from interested persons.

I.      Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed
        Rule Change

Phlx proposes to amend Commentary .05 to Exchange Rule 1012 ("Series of Options

Open for Trading") to clarify that strike price intervals of options on Exchange-Traded Fund

Shares ("ETFs") will be $5 or greater where the strike price is over $200.[5]

---

[1]     15 U.S.C. 78s(b)(1).

[2]     17 CFR 240.19b-4.

[3]     15 U.S.C. 78s(b)(3)(A).

[4]     17 CFR 240.19b-4(f)(6).

[5]     Strike price intervals for series of options on ETFs were initially established at $1 or
        greater where the strike price is $200 or less.  See Securities Exchange Act Release No.
        44055 (March 8, 2001), 66 FR 15310 (March 16, 2001) (SR-Phlx-2001-32) (filing silent
        regarding strike price intervals where the strike price is over $200).

The text of the proposed rule change is available at the Phlx, the Commission's Public

Reference Room, and http://www.phlx.com.

II.    Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the
       Proposed Rule Change

In its filing with the Commission, the Phlx included statements concerning the

purpose of, and basis for, the proposed rule change and discussed any comments it received on

the proposed rule change. The text of these statements may be examined at the places specified

in Item IV below. The Phlx has prepared summaries, set forth in Sections A, B, and C below, of

the most significant aspects of such statements.

        A.    Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis
             for, the Proposed Rule Change

             1.    Purpose

The purpose of the proposed rule change is to clarify that strike price intervals of options

on ETFs will be $5 or greater where the strike price is over $200. Commentary .05 to Phlx Rule

1012 currently states that strike price intervals of options on ETFs will be $1 or greater when the

strike price of the underlying asset is $200 or less. As such, most ETF options, which have

become popular investment tools, are priced at $1 strike price intervals.[6] However, some ETF

options are listed at $10 strike price intervals at strike prices greater than $200.[7] According to

the Exchange, within the last few months, the Phlx has received requests from Phlx traders to

price ETF options at $5 strike price intervals above $200. Because the Exchange does not

currently have a provision that allows ETF options to list and trade at $5 or greater strike price

---

[6]    The proposal establishing strike price intervals for series of options on ETFs at $1 or
       greater where the strike price is $200 or less did not discuss strike price intervals where
       the strike price is over $200. See Securities Exchange Act Release No. 44055 (March 8,
       2001), 66 FR 15310 (March 16, 2001)(SR-Phlx-2001-32).

[7]    For example, ETF options trading under the symbols ILF, FXI, MDY, and EEM are all
       listed at strike prices greater than $200.

intervals where the strike price is more than $200, however, the Exchange has only been able to

list these ETF options at $10 or greater strike price intervals.[8]  This has put Phlx at a competitive

disadvantage, particularly with respect to options exchanges that allow $5 strike price intervals

for ETF options.[9]

The Exchange believes that the rule proposal to clarify the availability of $5 strike price

intervals for ETF options above $200 should enable Phlx to competitively list and trade ETF

options at appropriate strike price intervals to the benefit of public customers, traders on the

Exchange, and the Exchange itself.

> 2.      Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[10] in

general, and furthers the objectives of Section 6(b)(5) of the Act[11] in particular, in that it is

designed to promote just and equitable principles of trade, perfect the mechanism of a free and

open market and a national market system, and, in general to protect investors and the public

interest.  Specifically, the Exchange believes that the proposal would achieve this by allowing

listing and trading of options on ETFs at $5 strike price intervals within certain parameters,

commensurate with the rules of other options exchanges.

---

[8]     Commentary .05(a) to Phlx Rule 1012 states, among other things, that strike prices of options may be $2.50 or greater where the strike price is $25 or less, $5 or greater where the strike price is more than $25 but less than $200, and $10 or greater where the strike price is $200 or more.

[9]     See, e.g., Amex Rule 903 stating that options on ETFs may trade at $5 strike price intervals where the strike price is over $200. See Securities Exchange Act Release Nos. 40157 (July 1, 1998), 63 FR 37426 (July 10, 1998) (SR-AMEX-1996-44) and 48024 (June 12, 2003), 68 FR 36617 (June 18, 2003) (SR-AMEX-2003-36).  Supplementary Material .01 to Chapter IV, Sec. 6 of BOX rules similarly allows listing and trading of ETF options at $5 strike price intervals where the strike price is over $200.

[10]    15 U.S.C. 78f(b).

[11]    15 U.S.C. 78f(b)(5).

B.        Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C.        Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received by the Exchange.

III.        Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[12] and Rule 19b-4(f)(6) thereunder,[13] because the foregoing proposed rule does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. As required under Rule 19b-4(f)(6)(iii) under the Act,[14] Phlx provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, prior to the date of the filing of the proposed rule change.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.[15]

---

[12]      15 U.S.C. 78s(b)(3)(A).

[13]      17 CFR 240.19b-4(f)(6).

[14]      17 CFR 240.19b-4(f)(6)(iii).

[15]      See 15 U.S.C. 78s(b)(3)(C).